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SUBJECT: OECD: POLICY COHERENCE FOR DEVELOPMENT

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11. (SBU) Summary: Organization for Economic Cooperation and Development (OECD) member states are engaged in a reflective exercise on how best to incorporate development into OECD activities writ large, both in terms of engaging developing countries in a two-way dialogue, extending support to developing countries in areas of OECD competence and examining the extent to which OECD and member state policies and recommendations are compatible with development goals ("Policy Coherence for Development"). The exercise challenges OECD members to consider how to reflect a "development dimension" while staying true to the OECD's original mandate and its time-tested committee-led structure (and avoiding overlap with other international organizations.) Of note, the OECD has already successfully harnessed its policy experience and "brand name" cachet to a number of innovative outreach activities for developing countries, particularly in the area of tax policies. End summary.

Policy Coherence for Development

12. (SBU) In 2008 the OECD Council launched a process to prepare goals for a long-term development agenda for the OECD which would take the organization beyond the traditional "donor coordination" role and expand the OECD's engagement with new actors and promote coherence of policies beyond aid in support of development. As a result, OECD members are currently engaged in a reflective exercise on how best to address development in OECD activities writ large, both in terms of engaging developing countries in a two-way dialogue, extending support to developing countries in areas of OECD competence and examining the extent to which OECD and member state policies and recommendations are compatible with development goals ("Policy Coherence for Development"). The January 21 Council session (which will include the participation of Enhanced Engagement partners) will officially kick off this discussion, although a high-level meeting on January 15 on "Development Goals" provided members an advance opportunity to speak frankly on some of the opportunities - and pitfalls - lie ahead.

Let Me Mainstream - But Not Today!

13. (SBU) A tour de table at the January 15 event showed superficial agreement on what many members called the "politically correct" mantra that development should - in theory - be mainstreamed into OECD work. However views were mixed on the rigor with which true

"Policy Coherence for Development" could and should be enforced. Sweden, Australia and Canada noted that the most significant OECD member "incoherence" (and one that negatively affected developing countries) was in the area of agricultural policy (others added migration). They pointed out, however, that members were not eager to discuss this particular lack of coherence. Finland noted that - particularly in a time of global economic crisis - national interests would trump development, stating that "our leaders have other constituencies than development institutions." The European Commission stated OECD committees should be mindful of policy coherence, but added that the WTO was the forum to address trade and agriculture issues. The UK and Denmark concluded that mainstreaming was probably better thought of as a long-term rather than short term goal.

Improving OECD Outreach to Developing Countries

14. (SBU) Most members agreed that there were OECD activities and products of interest to and use by developing countries - and that a surprisingly large number of excellent activities were ongoing. The Africa Tax Forum was cited as a good example of OECD outreach within its particular area of expertise. The OECD/MENA program was described as a positive example with strong developing country ownership. The majority of members stressed that the OECD should not become a "development agency" and therefore needed to prioritize the areas for work with developing countries. USDel cited areas such as taxation, anti-bribery and promoting sound economic policies as priority areas. Other countries highlighted food security, climate change and investment policies.

15. (SBU) The European Commission noted that as Official Development Assistance (ODA) funding was tight, the OECD could helpfully analyze innovative financing sources, such as remittances, and taxation, and

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highlighted the excellent work the Development Center is doing with Africa. The Czech Republic seconded this suggestion, suggesting that the OECD Development Center study the role and impact of non-ODA sources of funding. Finland suggested that the Development Center analyze the last half a century of development assistance. A number of countries regretted the fact that not all OECD members were members of the Development Center (Comment: referring most notably to the United States, Japan, and Australia. End comment). Belgium noted that "Policy Coherence for Development" was about promoting behavioral change of donors. But it was important to know what the developing countries themselves wanted. The Development Center should be used as a platform to find this out. Several members asked who the target countries were: was it the least developed countries, the middle-income developing countries, the emerging economies? Members noted that in this day and age the "catch-all" of developing country was increasingly meaningless. USDel and the European Commission welcomed the discussion as a whole as reflecting the "whole of government" approach that was taking place in Washington and Brussels.

Questions on Process

16. (SBU) Members had questions on the end product of the exercise: would the final outcome of the exercise be a Ministerial Council Meeting (MCM) declaration? Would it be a binding recommendation? Would it be a requirement to OECD Committees to integrate a development perspective that would eventually be part of the biennial Program of Work and Budget? It was noted that unless OECD committees - the work-horses of the OECD project - were involved, the outcome was unlikely to be meaningful.

17. (SBU) The Netherlands -speaking last -summarized the debate nicely by saying: "I cannot answer these questions because I don't know what we want." Are we trying to improve the effectiveness of OECD bodies or are we trying to find ways and means to increase cooperation with developing countries? He suggested that all OECD committees be asked to report to the Council to explain what they were doing on development now, and what their development dimension could be (note: this process has actually already been initiated in

the run-up to the January 21 Council meeting on Development. End
note)

Comment:

18. The exercise as a whole serves as a reminder that - in an era of globalization and increasing economic clout by major emerging economies - the D in OECD can no longer to be assumed to be simply the development of Western economies. The debate also demonstrates the tension that OECD members (to varying degrees) see between incorporating a "development dimension" to the OECD's work while staying true to its original mandate (and its time-tested committee-led structure.) But discussions notwithstanding, it is clear that the OECD has already successfully harnessed its policy experience and "brand name" cachet to a number of innovative outreach activities for developing countries, particularly in the area of tax policies. Kornbluh